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The Commonwealth of Massachusetts

AUDITOR OF THE COMMONWEALTH

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AUDITOR



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STATE AUDITOR'S
REPORT ON THE ACTIVITIES
OF THE
AMHERST HOUSING AUTHORITY
APRIL 1, 1997 TO MARCH 31, 1998

OFFICIAL AUDIT REPORT

MAY 27 1999

ISSUED BY THE
Department of the State Auditor

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a. <u>Long-Term Vacancies in the Congregate Housing Program:</u> Our review indicated that the Authority has been experiencing vacancy problems in its congregate housing program. The problems are attributed to elderly persons opting for the more modern and private assisted living facilities developed by for-profit organizations in lieu of the public housing shared-living environment. These continued vacancies, if unresolved, could have an effect on the financial condition of the Authority. To its credit, the Authority has taken positive action that should help resolve the vacancy problem.	
b. <u>Reimbursement of Educational Expenses:</u> Our review revealed that during our audit period, the Authority's Executive Director, was reimbursed for expenses incurred in pursuit of a Masters in Business Administration degree. Although the reimbursements were approved by the Authority's board, the nature of these funds was not properly disclosed in budgets submitted to the Department of Housing and Community Development (DHCD). The Authority, responding to our disclosure, initiated immediate action by submitting a revised budget to DHCD for fiscal year 1999 that contained specific data relating to the tuition costs. The revised budget was approved by DHCD. Since the Executive Director's contract and Authority guidelines do not specifically provide for graduate degrees as an educational requirement, we recommend that the Authority pursue with DHCD the extent of educational costs that may be approved by the Authority's board.	9

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INDEPENDENT AUDITOR'S REPORT

Joan Ross Logan, Chairman
Amherst Housing Authority
33 Kellogg Avenue
Amherst, Massachusetts 01002

We have audited the Amherst Housing Authority's financial statements as of and for the fiscal year ended March 31, 1998, as listed in the Table of Contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in the Notes to Financial Statements, No. 2, the Authority's records are maintained on bases of accounting prescribed by the Commonwealth's Department of Housing and Community

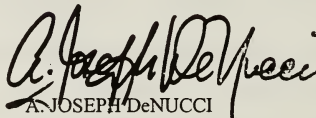
Development (DHCD) and the U.S. Department of Housing and Urban Development (HUD), which are comprehensive bases of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Amherst Housing Authority as of March 31, 1998, and the results of its operations for the fiscal year then ended, in conformity with the bases of accounting prescribed by DHCD and HUD.

In accordance with Government Auditing Standards, we have also issued a report dated October 23, 1998 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Amherst Housing Authority, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. The information in the schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

October 23, 1998


A. JOSEPH DeNUCCI
Auditor of the Commonwealth



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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Joan Ross Logan, Chairman
Amherst Housing Authority
33 Kellogg Avenue
Amherst, Massachusetts 01002

We have audited the Amherst Housing Authority's financial statements as of and for the fiscal year ended March 31, 1998, and have issued our report thereon dated October 23, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

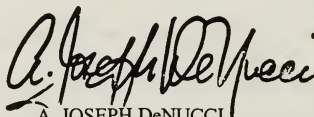
Compliance

As part of obtaining reasonable assurance about whether the Amherst Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Amherst Housing Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Amherst Housing Authority's Board of Commissioners, management, the Commonwealth's Department of Housing and Community Development, the U.S. Department of Housing and Urban Development, and other federal audit agencies. However, this report is a matter of public record, and its distribution is not limited.

A handwritten signature in black ink, appearing to read "A. Joseph DeNucci". The signature is stylized with a large, looped "A" and a cursive "DeNucci".

A. JOSEPH DeNUCCI
Auditor of the Commonwealth

October 23, 1998



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REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO STATE-AIDED FINANCIAL ASSISTANCE PROGRAMS

Joan Ross Logan, Chairman
Amherst Housing Authority
33 Kellogg Avenue
Amherst, Massachusetts 01002

We have audited the Amherst Housing Authority's financial statements as of and for the fiscal year ended March 31, 1998 and have issued our report thereon dated October 23, 1998.

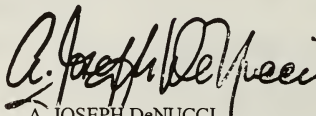
We have also audited the Authority's compliance with the requirements governing types of services, eligibility, reporting, and special tests and provisions that are applicable to its state-aided financial assistance programs, which are identified in the Supplementary Information section of this report, for the fiscal year ended March 31, 1998. The management of the Amherst Housing Authority is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Amherst Housing Authority complied, in all material respects, with the requirements governing types of services, eligibility, reporting, and special tests and provisions that are applicable to its state-aided financial assistance programs for the fiscal year ended March 31, 1998.

This report is intended for the information of the Amherst Housing Authority's Board of Commissioners, management, the Commonwealth's Department of Housing and Community Development, the U.S. Department of Housing and Urban Development, and other federal audit agencies. However, this report is a matter of public record, and its distribution is not limited.

October 23, 1998



A. JOSEPH DeNUCCI
Auditor of the Commonwealth

AUDIT RESULTS

1. Status of Prior Audit Results

The prior Single Audit report of the Amherst Housing Authority, which covered the period April 1, 1996 to March 31, 1997, was prepared by a private accounting firm and contained no audit results.

2. Current Audit Results

Our current audit, which covered the period April 1, 1997 to March 31, 1998, disclosed the following audit results:

a. Long-Term Vacancies in the Congregate Housing Program: Our review indicated that the Authority has been experiencing vacancy problems at its congregate housing program. The results of our review showed that since 1995, the Authority has had an average of 13 of its 23 (56%) housing units vacant. The continued existence of such vacancies could have an effect on the financial condition of the Authority.

The Authority purchased the Jean Elder House on December 26, 1979 from a University of Massachusetts fraternity, Sigma Phi Epsilon, for \$153,000 and converted the property into 23 congregate housing units. The renovation costs for the Jean Elder House totaled \$800,527 and were funded by a \$759,000 grant from the Executive Office of Communities and Development and a \$41,527 grant from the Federal Community Development Block Grant program. The current assessed value of the property is \$828,400.

Under the congregate program, tenants have private bedrooms but share bathroom and kitchen facilities as well as dining and living room areas, thus relinquishing some of their privacy and independence. In 1979, the occupancy rates were high; however, more modern and improved assisted living facilities that have been developed by for-profit organizations have created better alternative housing for the elderly. Because of such alternatives, elderly persons opted for the more improved facilities. Accordingly, this factor in recent years has led to severe occupancy problems at the Jean Elder House. In this respect, our review included a physical inspection of the units' size and condition. The Jean Elder House has two floors, six apartments of varying size, and 23 bedrooms. The second floor is

not handicapped accessible. We found that the units appeared to be in very good condition. To its credit, the Authority has taken several initiatives in its attempt to attract more area residents in need of congregate housing.

To this end, the Authority, on September 3, 1997, applied for a vacancy waiver from the Department of Housing and Community Development (DHCD). DHCD, also aware of the state-wide vacancy problems existing in shared living spaces, on September 11, 1997, granted the waiver to the Authority to permit "excessive vacancies". DHCD defines "excessive vacancies" as any vacancies over 21 working days.

The Executive Director stated that the Authority, on several occasions, has tried unsuccessfully to attract area residents as congregate-living tenants by advertising in local newspapers. The Executive Director also met with Highland Valley Elder Services and the Appleton Corporation to discuss possible alternative uses for the Jean Elder congregate housing program. The possibilities included using the facility for group adult foster care, respite care, and an elder abuse center or short-term intervention facility.

As a further initiative, the Authority in June 1986 organized a group of local housing authorities with congregate housing programs to discuss mutual concerns. This group continued to meet over the next year and was composed of the Amherst, Agawam, Greenfield, Franklin County, Wilbraham, Pittsfield, West Springfield, East Longmeadow, Northampton, Springfield, Ludlow, Chicopee, and Holyoke Housing Authorities.

Several officials from DHCD visited the Jean Elder House in October 1997 and June 1998. The Authority's Executive Director and DHCD officials came to the conclusion that there was a configuration problem with the layout of the Jean Elder House. Accordingly, the Authority has submitted a fiscal year 1999 capital funding application to DHCD with the hope of receiving modernization money to go forward with the following renovations:

- Decrease the number of bedrooms and increase the number of bathrooms, thereby providing a private half-bath for each resident. (The Authority believes that the lack of a private bath is a major reason for the lack of interest in the Jean Elder House);

- Provide a one-bedroom unit for a live-in attendant to check on residents, give medication, etc.; and
- Provide an additional two-bedroom unit for couples.

We believe that the Authority's actions as outlined above demonstrate both desire and effort on its part to resolve the existing congregate unit vacancy problem. The modernization proposal if approved by DHCD could be a significant factor in attracting the elderly population to its more modern facilities.

Recommendation: The Authority, in concert with DHCD, should continue to pursue their efforts to resolve the congregate unit housing vacancy problem.

Auditee's Response: The Authority indicated that it is fully aware of the vacancy problem at the Jean Elder Congregate House and at similar congregate facilities in the state. Moreover, the Authority stated that, in response to the Authority's request for comprehensive modernization, DHCD awarded the Authority a \$25,000 planning grant. The Authority also stated that actions already taken on its part as well as the DHCD-approved planning grant will improve this situation.

Auditor's Reply: The Authority's actions, as cited in its response, represent a significant effort to resolve the vacancy problems at the Jean Elder Congregate House.

b. Reimbursement of Educational Expenses: Our review noted that the Authority's Executive Director was reimbursed \$10,512 from both federal and state funds during the period January 27, 1997 to August 27, 1998 for expenses incurred in pursuit of a Masters in Business Administration (MBA) degree. These expenses covered the Executive Director's tuition, fees, and books for 10 courses taken in the MBA program at the University of Massachusetts-Amherst. The Executive Director was still enrolled in the MBA program at the completion of our audit.

At a meeting held on November 25, 1996, the Authority's board voted 4-0-1 to: "support the Executive Director's efforts to obtain a Professional Masters of Business Administration degree at the University of Massachusetts, and to request that the ... accountant locate appropriate funding within the Authority's budget to finance the costs of the degree." We noted that the Authority's fee accountant allocated funds within the 4190 Administration Other Account to cover these costs in the fiscal year 1997 and 1998 budgets. These funds were budgeted by the fee accountant in the Administrative Other Account

under a subcategory "All Other Sundry Expense" without any description of the costs. The Authority's 1997 and 1998 budgets that included the Executive Director's MBA costs were subsequently approved by DHCD. The MBA costs, however, were included in the All Other Sundry Expense category. DHCD's budget guidelines prescribe budgeting procedures for each element of administrative expense. For the "Other" subcategory of the 4190 account, these procedures direct the budget preparer to:

Include a complete list of contracts and their costs which are not covered elsewhere in the budget as well as other administrative costs not included in the 4100 accounts. Include advertising for bids and any other administrative costs not included elsewhere. Describe these costs.

We discussed these educational reimbursements with the Executive Director, who informed us that they were a part of her employment contract. The contract of employment between the Authority and the Executive Director dated August 1, 1996, states, in part:

That in addition to the salary herein before set forth the Authority shall, after approval of the Board, reimburse the Executive Director for the following:

- c. for expenses associated with attendance at conferences, seminars, workshops, and other educational/career development programs subject to the approval of the Chair and in accordance with the Personnel Policy.

The Authority's Personnel Policy states, in part:

L. Career Development and Education

2. Employees may request permission to attend conferences, seminars, workshops and other education programs designed to improve or upgrade work related skills and abilities. The Authority may contribute to the cost of attendance as outlined below:
 - a. The Authority will reimburse employees for expenses incurred for participation in job required educational programs.
 - b. The Authority may reimburse employees for expenses incurred for participation in work related educational programs. Reimbursement will be dependent upon the following:
 - 1) Approval of the Executive Director
 - 2) Presentation of evidence of successful completion of the course

We discussed the Executive Director's educational reimbursements with DHCD's Director of Housing Finance, who confirmed that DHCD approved the Authority's 1997 and 1998 budgets without knowing that funds in excess of \$10,000 were being earmarked for the Executive Director's MBA costs. He also indicated that reimbursements of this nature and magnitude were unusual, but cited another

Executive Director whose employment contract specifically provided for reimbursement of \$4,000 per year towards a graduate degree. Our review of other housing Authority personnel plans indicated that educational reimbursements were generally limited to one or two courses per year in subjects germane to the employee's position. Also, private industry commonly requires employees who receive educational reimbursements to sign written agreements that require their continued employment for a specified period of time, depending upon the extent of their reimbursements. DHCD's Director of Fixed Asset Management and Director of Housing Finance both acknowledged that DHCD's present budget guidelines do not address the issue of educational reimbursements. They also stated that it would become the subject of discussion within DHCD and that such a policy should be established.

Our review further noted that the Authority did not ensure that its fee accountant report the Executive Director's educational reimbursements as income to the Internal Revenue Service (IRS) and the Massachusetts Department of Revenue (DOR) as required by IRS Code 1.127-2 and comparable Massachusetts DOR requirements. This requirement is essential for those graduate level courses not considered a job requirement.

Recommendation: The Authority should:

- Pursue with DHCD the implementation of a policy addressing the issue of the degree of educational reimbursements that can be approved by the Authority's board. The Authority's own guidelines should be revised based on the clarification of the policy.
- Strengthen its procedures to ensure that educational reimbursements and other such reimbursements are reported by its fee accountant to both the Internal Revenue Service and the Massachusetts Department of Revenue. Also, the Authority's fee accountant should ensure that all other administrative costs are listed and properly described in the Authority's budget as required by DHCD's budget guidelines.

Auditee's Response: In its response, the Authority stated that DHCD had approved the expenditure for the Executive Director's tuition payments in the Authority's revised fiscal year 1999 budget. Also, the Authority indicated that it was not aware of the IRS and DOR reporting requirements until it was apprised of these requirements by the IRS at seminars held in August 1998. We were further advised that it has now complied with all such requirements by reporting fringe benefits to the respective tax authorities.

Auditor's Reply: The Authority's actions, as cited in its written comments, should help resolve the reported disclosures. We reiterate, however, that the Authority should pursue with DHCD the issue concerning the extent of educational reimbursements that may be approved by the Authority's board.

FINANCIAL STATEMENTS

Statement No. IRevolving FundBalance Sheet

March 31, 1998

Assets

Cash	\$ 62,112
Accounts Receivable	<u>10,043</u>
Total Assets	<u>\$ 72,155</u>

Liabilities and Advances

Deferred Credits	\$ 300
Advances	61,765
Accounts Payable	<u>10,090</u>
Total Liabilities and Advances	<u>\$ 72,155</u>

The accompanying notes are an integral
part of these financial statements.

Statement No. IIState-Aided Programs in ManagementBalance Sheets

March 31, 1998

	Family and Elderly Housing Program 400	Special Needs Housing Program 689	Mass. Rental Voucher Program
<u>Assets</u>			
Cash	\$ 191,301	\$ 9,642	\$ 32,253
Accounts Receivable	50,296	10,612	1,129
Investments	30,811	-	-
Development Costs	5,906,257	661,828	7,069
Completed Modernization Costs	934,271	-	-
Total Assets	<u>\$ 7,112,936</u>	<u>\$ 682,082</u>	<u>\$ 40,451</u>
 <u>Liabilities and Surplus</u>			
Accounts Payable	\$ 24,438	-	\$ 29
Accrued Liabilities	(1,323)	\$ (217)	-
Deferred Credits	3,764	-	20,901
Grants Issued	5,826,422	661,629	-
Cumulative DHCD Modernization Contributions	934,271	-	-
Surplus	325,364	20,670	19,521
Total Liabilities and Surplus	<u>\$ 7,112,936</u>	<u>\$ 682,082</u>	<u>\$ 40,451</u>

The accompanying notes are an integral
part of these financial statements.

Statement No. IIIState-Aided Programs in ManagementOperating Statements

Fiscal Year Ended March 31, 1998

	Family and Elderly Housing Program 400	Special Needs Housing Program 689	Mass. Rental Voucher Program
Operating Receipts:			
Shelter Rent	\$ 366,735	\$ 17,585	-
Interest on Investments	7,190	809	-
Administrative Fee	-	-	\$ 17,450
Other Operating Receipts	5,317	-	308
Total Operating Receipts	<u>\$ 379,242</u>	<u>\$ 18,394</u>	<u>\$ 17,758</u>
Operating Expenditures:			
Administrative	\$ 91,141	\$ 6,633	\$ 13,467
Tenant Organization	1,150	-	-
Maintenance	126,111	4,083	-
General	62,193	3,750	2,941
Provision for Operating Reserve	18,555	2,340	-
Utilities	133,455	-	-
DHCD-Directed Costs	15,001	-	-
Total Operating Expenditures	<u>\$ 447,606</u>	<u>\$ 16,806</u>	<u>\$ 16,408</u>
Income/(Deficit) before Operating			
Subsidy Earned	\$ (68,364)	\$ 1,588	\$ 1,350
Operating Subsidy Earned	85,848	-	-
Income before Nonroutine Expenditures	\$ 17,484	\$ 1,588	\$ 1,350
Nonroutine Expenditures	10,521	(3,434)	(195)
Net Income	<u>\$ 6,963</u>	<u>\$ 5,022</u>	<u>\$ 1,545</u>

Year-End Settlement of Massachusetts Rental Voucher Program

Total Landlord Payments	\$ 245,944
Total Partial Payments Received from DHCD for Fiscal Year	<u>245,701</u>
Underpayment Due Authority	<u>\$ 243</u>

The accompanying notes are an integral
part of these financial statements.

Statement No. IVState-Aided Programs in ManagementAnalysis of Surplus

Fiscal Year Ended March 31, 1998

	Family and Elderly Housing Program 400	Special Needs Housing Program 689	Mass. Rental Voucher Program
<u>Valuation of Fixed Assets</u>			
Balance March 31, 1997	\$ 72,838	\$ 200	\$ 7,069
Additions	31,247	-	-
Balance March 31, 1998	<u>\$ 104,085</u>	<u>\$ 200</u>	<u>\$ 7,069</u>
<u>Operating Reserve</u>			
Balance March 31, 1997	\$ 194,801	\$ 13,108	\$ 10,907
Net Income	6,963	5,022	1,545
Provision for Operating Reserve	18,555	2,340	-
Balance March 31, 1998	<u>\$ 220,319</u>	<u>\$ 20,470</u>	<u>\$ 12,452</u>
<u>Capital Reserve</u>			
Balance March 31, 1997	\$ 960	-	-
Balance March 31, 1998	<u>\$ 960</u>	<u>-</u>	<u>-</u>
Total Surplus	<u>\$ 325,364</u>	<u>\$ 20,670</u>	<u>\$ 19,521</u>

The accompanying notes are an integral part
of these financial statements.

Statement No. VState-Aided Program in ModernizationBalance Sheet

March 31, 1998

Assets

Accounts Receivable		\$ 10,090
Modernization Costs:		
<u>Work Plan Number</u>		
1006	\$ 110,252	
1007	<u>464,499</u>	<u>574,751</u>
Total Assets		<u>\$ 584,841</u>

Liabilities and Grants

Accounts Payable	\$ 3,924
Grants Issued	<u>580,917</u>
Total Liabilities and Grants	<u>\$ 584,841</u>

The accompanying notes are an integral
part of these financial statements.

Statement No. VIState-Aided Program in ModernizationStatements of Modernization Costs

March 31, 1998

	Work Plan Number	
	<u>1006</u>	<u>1007</u>
Administration	\$ 6,204	\$ 16,563
Architectural and Engineering Fees	10,465	46,797
Construction Costs	<u>93,583</u>	<u>401,139</u>
Total Modernization Costs	<u>\$ 110,252</u>	<u>\$ 464,499</u>

The accompanying notes are an integral
part of these financial statements.

Statement No. VIIFederally Aided ProgramsBalance Sheets

March 31, 1998

<u>Assets</u>	<u>Annual Contributions Contract</u>	
	<u>B-1157</u>	<u>B-1152</u>
	<u>Public</u>	<u>Section 8</u>
	<u>Housing</u>	
Cash	\$ 50,539	\$ 62,831
Accounts Receivable	-	3,258
Advances	(1,871)	-
Investments	-	51,795
Land, Structures, and Equipment	1,629,387	32,549
Total Assets	<u>\$ 1,678,055</u>	<u>\$ 150,433</u>
 <u>Liabilities and Surplus</u>		
Liabilities:		
Accounts Payable	\$ 1,709	\$ 15,987
Accrued Liabilities	2,422	45,224
Notes Payable	1,141,342	-
Deferred Credits	427	-
Total Liabilities	<u>\$ 1,145,900</u>	<u>\$ 61,211</u>
Surplus	532,155	89,222
Total Liabilities and Surplus	<u>\$ 1,678,055</u>	<u>\$ 150,433</u>

The accompanying notes are an integral
part of these financial statements.

Statement No. VIIIFederally Aided ProgramsStatements of Income and Expenses

Fiscal Year Ended March 31, 1998

	<u>Annual Contributions Contract</u>	
	<u>B-1157</u>	<u>B-1152</u>
	<u>Public</u>	
	<u>Housing</u>	<u>Section 8</u>
Operating Income:		
Rental Income	\$ 27,253	-
Interest on General Fund Investments	981	\$ 524
Interest on Operating Reserve Investments	-	557
Total Operating Income	<u>\$ 28,234</u>	<u>\$ 1,081</u>
Operating Expenses:		
Administration	\$ 10,742	\$ 125,337
Utilities	3,678	-
Ordinary Maintenance and Operation	26,255	-
General Expenses	12,632	-
Nonroutine Maintenance	1,859	-
Audit Costs	-	700
Housing Assistance Payments	-	1,297,431
Total Operating Expenses	<u>\$ 55,166</u>	<u>\$ 1,423,468</u>
Net Operating (Loss)	\$ (26,932)	\$ (1,422,387)
Other Credits:		
Prior Year Adjustment	4,200	-
Net (Loss)	<u>\$ (22,732)</u>	<u>\$ (1,422,387)</u>

The accompanying notes are an integral
part of these financial statements.

Statement No. IXFederally Aided ProgramsAnalysis of Surplus

Fiscal Year Ended March 31, 1998

	<u>Annual Contributions Contract</u>	
	<u>B-1157</u>	<u>B-1152</u>
	Public	
<u>Unreserved Surplus</u>	<u>Housing</u>	<u>Section 8</u>
Balance March 31, 1997	\$ (543,581)	\$ (15,379,154)
Net (Loss)	(22,732)	(1,422,387)
Provision for Operating Reserve	11,008	(920)
Provision for Project Account	-	114,527
Sale of Equipment	-	(1,546)
HUD Recapture	-	556,270
Balance March 31, 1998	<u>\$ (555,305)</u>	<u>\$ (16,133,210)</u>
<u>Operating Reserve</u>		
Balance March 31, 1997	\$ 59,317	\$ 55,752
Audit Adjustment	(4,200)	-
Provision for Operating Reserve	(11,008)	921
Balance March 31, 1998	<u>\$ 44,109</u>	<u>\$ 56,673</u>
<u>Project Account Unfunded</u>		
Balance March 31, 1997	-	\$ 1,043,678
Provision for Project Account	-	(114,527)
HUD Recapture	-	(556,270)
Balance March 31, 1998	<u>-</u>	<u>\$ 372,881</u>
<u>Cumulative Annual Contributions</u>		
Balance March 31, 1997	\$ 604,037	\$ 14,369,571
Annual Contributions Earned	11,724	1,423,307
Balance March 31, 1998	<u>\$ 615,761</u>	<u>\$ 15,792,878</u>
<u>Cumulative Modernization Grants</u>		
Balance March 31, 1997	\$ 421,000	-
Modernization Grants Received	6,590	-
Balance March 31, 1998	<u>\$ 427,590</u>	<u>-</u>
Total Surplus	<u>\$ 532,155</u>	<u>\$ 89,222</u>

The accompanying notes are an integral
part of these financial statements.

Statement No. XFederally Aided ProgramsComputation of Residual Receipts and
Accruing Annual Contributions

Fiscal Year Ended March 31, 1998

	<u>Public Housing</u>
	<u>Annual Contributions</u>
	<u>Contract B-1157</u>
<u>Computation of Residual Receipts</u>	
Operating Receipts:	
Operating Income	\$ 28,234
Operating Subsidy	11,724
Prior Year Adjustment	<u>4,200</u>
Total Operating Receipts	<u>\$ 44,158</u>
Operating Expenses:	
Operating Expenses	<u>\$ 55,166</u>
Total Operating Expenses	<u>\$ 55,166</u>
Residual Receipts per Audit	\$ (11,008)
Provision for Operating Reserve	<u>11,008</u>
Residual Receipts per Authority	<u>-</u>
<u>Computation of Accruing Annual Contributions</u>	
Accruing Annual Contributions	<u>\$ 100,000</u>

The accompanying notes are an integral
part of these financial statements.

Statement No. XIFederally Aided ProgramsComputation of Annual Contributions Earned and
Project Account – Operating Reserve Changes

Fiscal Year Ended March 31, 1998

Section 8Annual Contributions
Contract B-1152Maximum Annual Contributions Available

Maximum Annual Contributions Commitment	\$ 1,308,780
Project Account at Beginning of Year	1,043,678
HUD Recapture	556,270
Total Annual Contributions Available	<u>\$ 2,908,728</u>

Annual Contributions Required

Housing Assistance Payments	\$ 1,297,431
Administrative Fees Earned	125,385
Audit Costs	700
Hard-to-House Fees Earned	315
Total Funds Required	\$ 1,423,831
Less: Project Receipts Other than Annual Contributions	<u>524</u>
Total Annual Contributions Required	<u>\$ 1,423,307</u>

Project Account Change

Provision for Project Account	<u>\$ (114,527)</u>
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Annual Contributions Earned

Lesser of Contributions Available or Contributions Required	<u>\$ 1,423,307</u>
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Operating Reserve Change

Operating Income	\$ 1,081
Annual Contributions Earned	<u>1,423,307</u>
Total Operating Receipts	\$ 1,424,388
Total Operating Expenses	<u>1,423,468</u>
Provision for Operating Reserve	<u>\$ 920</u>

The accompanying notes are an integral
part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

1. Reporting Entity

The Amherst Housing Authority is authorized by and operates under the provisions of Chapter 121B of the Massachusetts General Laws, as amended. The Authority operates and administers low-rent housing programs, which are funded/assisted by the Commonwealth's Department of Housing and Community Development (DHCD) and the U.S. Department of Housing and Urban Development (HUD). The Authority is governed by five members. (See Organization section of this report.)

All operations and programs for which the Authority has oversight responsibility are included in the Financial Statements section of this report. Oversight responsibility is derived from a number of criteria, including financial interdependency, selection of governing authority, designation of management, ability to influence operations, and accountability for financial matters.

2. Significant Accounting Policies

a. State-Aided Programs: The Amherst Housing Authority prepares its financial statements for its state-aided programs on the basis of accounting prescribed by DHCD. Under this method of accounting, the Authority's operations are not considered to be self-sustaining, and, therefore, its financial statements do not show provisions for depreciation of structures and equipment. Capital facilities are financed either by grants from the Commonwealth or by debt, which the Commonwealth guarantees and subsidizes. The Authority also receives from the Commonwealth additional subsidies that are applied to operating deficits.

b. Federally Aided Programs: Financial statements for federally aided housing assistance programs are prepared on the basis of accounting prescribed by HUD. Under this method of accounting, the Authority's operations are not considered to be self-sustaining, and, therefore, its financial statements do not show provisions for depreciation of structures and equipment. Materials and supplies are expensed to operations or capitalized, as applicable.

3. Pension Plan Obligations

Authority employees participate in the Commonwealth of Massachusetts Contributory Retirement System established under Chapter 32 of the General Laws of Massachusetts. The Authority's annual share of its retirement plan contributions is recognized as an expense in the fiscal year the contribution is made.

SUPPLEMENTARY SCHEDULE

Schedule of Expenditures of Federal Awards

Fiscal Year Ended March 31, 1998

<u>Department of Housing and Urban Development</u>	Federal <u>CFDA Number</u> ¹	Annual Contributions <u>Contract</u>	Federal Assistance <u>Received</u>	<u>Expenditures</u>
Public Housing (Nonmajor)	14.852	B-1157	\$ 11,724	\$ 55,166
Section 8 Rental Certificate Program (Major)	14.857	B-1152	<u>1,423,307</u>	<u>1,423,468</u>
			<u>\$1,435,031</u>	<u>\$1,478,634</u>

¹ Refer to Catalog of Federal Domestic Assistance.



A. JOSEPH DeNUCCI
AUDITOR

The Commonwealth of Massachusetts

AUDITOR OF THE COMMONWEALTH

ONE ASHBURTON PLACE, ROOM 1819
BOSTON, MASSACHUSETTS 02108

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99-3017-8

-27-

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Joan Ross Logan, Chairman
Amherst Housing Authority
33 Kellogg Avenue
Amherst, Massachusetts 01002

Compliance

We have audited the compliance of the Amherst Housing Authority with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the provisions of the Public and Indian Housing Compliance Supplement dated June 1995, that are applicable to its major federal programs for the fiscal year ended March 31, 1998. The Amherst Housing Authority's major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of the Amherst Housing Authority's management. Our responsibility is to express an opinion on the Amherst Housing Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and the provisions of the Public and Indian Housing Compliance

Supplement dated June 1995. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Amherst Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Amherst Housing Authority's compliance with those requirements.

In our opinion, the Amherst Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the fiscal year ended March 31, 1998.

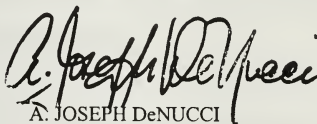
Internal Control over Compliance

The management of the Amherst Housing Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We

noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Amherst Housing Authority's Board of Commissioners, management, the Commonwealth's Department of Housing and Community Development, the U.S. Department of Housing and Urban Development, and other federal audit agencies. However, this report is a matter of public record, and its distribution is not limited.

A handwritten signature in black ink, appearing to read "A. Joseph DeNucci". The signature is stylized with a large, looped "A" and a long, sweeping "i" at the end.

A. JOSEPH DeNUCCI
Auditor of the Commonwealth

October 23, 1998

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended March 31, 1998

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the Amherst Housing Authority.
2. The audit disclosed no instances of noncompliance material to the financial statements.
3. The auditor's report on compliance for its major programs expresses an unqualified opinion.
4. The Authority administered the following major programs:

Section 8 Rental Certificate Program CFDA No. 14.857
5. The threshold used to distinguish Type A and Type B programs was \$300,000.
6. The Authority was determined to be a low-risk auditee.

SUPPLEMENTARY INFORMATION

1. Audit Review

At the conclusion of our audit, we reviewed the results of our audit with Donna Crabtree, Executive Director of the Amherst Housing Authority.

2. State-Aided Housing Programs

The Authority currently operates the following state-aided housing programs:

<u>Program</u>	<u>Type</u>	<u>Number of Units</u>	
		<u>Available</u>	<u>Occupied</u>
400	Family and Elderly Housing	171	169
689	Special Needs Housing	8	8
MRVP	Mass. Rental Voucher Program	<u>70</u>	<u>70</u>
		<u>249</u>	<u>247</u>

3. Federally Aided Housing Programs

The Authority currently administers the following federally aided housing programs:

<u>Program</u>	<u>Type</u>	<u>Number of Units</u>
Section 8	Rental Assistance	212
Public Housing	Low-Income and Elderly Housing	<u>15</u>
		<u>227</u>

ORGANIZATION

March 31, 1998

The Amherst Housing Authority is authorized by and operates under the provisions of Chapter 121B of the Massachusetts General Laws, as amended, which is known as the Housing and Urban Renewal Law. Donna Crabtree is the Executive Director.

The Authority's administrative office is located at 33 Kellogg Avenue, Amherst. As of March 31, 1998, the Authority was organized as follows:

<u>Members</u>		
<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Joan Ross Logan 143 Rolling Green Apts. Amherst	Chairman	April 2002
Mark Enoch 67 Memorial Drive Amherst	Vice-Chairman	May 2002
Ken Mosakowski 69 Pelham Road Amherst	Treasurer	April 1999
Judy Brooks 51 Valley View Drive Amherst	Assistant Treasurer	April 2000
Gerry Pawley 33 Kellogg Avenue Amherst	Member	April 2001

